Interim Financial Statements

Garima Bikas Bank Ltd

As of Poush End 2082

(2nd Quarter of FY 2082-83)

गरिमा विकास बैंक लिमिटेड
Garima Bikas Bank Limited

Garima Bikas Bank Limited
Condensed Consolidated Statement of Financial Position
As on Quarter Ended 30th Poush 2082 (14th January 2026)

Figures in '000'

Particulars	Group		Bank	
	This Quarter Ending	Immediate Previous Year Ending (Audited)	This Quarter Ending	Immediate Previous Year Ending (Audited)
Assets				
Cash and cash equivalent	3,149,546	3,166,029	3,148,975	3,165,470
Due from Nepal Rastra Bank	5,270,501	3,778,538	5,270,501	3,778,538
Placement with Bank and Financial Institutions	-	-	-	-
Derivative financial instruments	-	-	-	-
Other trading assets	-	-	-	-
Loan and advances to B/FIs	3,564,112	4,574,216	3,564,112	4,574,216
Loans and advances to customers	72,945,514	69,130,695	72,945,514	69,130,695
Investment securities	16,559,462	20,527,268	16,258,294	20,195,713
Current tax assets	151,533	100,761	134,046	83,859
Investment in subsidiaries	-	-	123,900	123,900
Investment in associates	-	-	-	-
Investment property	700,895	675,496	700,895	675,496
Property and equipment	1,893,676	1,933,138	1,871,808	1,908,698
Goodwill and Intangible assets	104,920	105,417	102,331	103,541
Deferred tax assets	35,137	35,302	38,835	38,835
Other assets	759,020	723,999	735,371	685,097
Total Assets	**105,134,316**	**104,750,861**	**104,894,584**	**104,464,059**

Particulars	Group		Bank	
	This Quarter Ending	Immediate Previous Year Ending (Audited)	This Quarter Ending	Immediate Previous Year Ending (Audited)
Liabilities				
Due to Bank and Financial Institutions	1,555,540	2,565,988	1,555,540	2,565,988
Due to Nepal Rastra Bank	0	0	0	0
Derivative financial instruments	0	0	0	0
Deposits from customers	91,270,149	90,112,803	91,272,368	90,115,630
Borrowing	70,824	98,588	0	0
Current Tax Liabilities	0	0	0	0
Provisions	0	0	0	0
Deferred tax liabilities	0	0	0	0
Other liabilities	1,506,147	1,589,846	1,459,885	1,522,125
Debt securities issued	997,063	997,063	997,063	997,063
Subordinated Liabilities	0	0	0	0
Total liabilities	**95,399,723**	**95,364,288**	**95,284,856**	**95,200,805**
Equity				
Share capital	6,021,348	5,680,517	6,021,348	5,680,517
Share premium	0	0	0	0
Retained earnings	305,534	595,617	308,425	599,214
Reserves	3,293,457	2,996,938	3,279,954	2,983,523
Total equity attributable to equity holders	**9,620,339**	**9,273,073**	**9,609,727**	**9,263,254**
Non-controlling interest	**114,255**	**113,499**	**0**	**0**
Total equity	**9,734,594**	**9,386,573**	**9,609,727**	**9,263,254**
Total liabilities and equity	**105,134,316**	**104,750,861**	**104,894,584**	**104,464,059**

Garima Bikas Bank Limited
Condensed Consolidated Statement of Profit or Loss
For the Quarter Ended 30th Poush 2082(14th January 2026)

Figures in '000'

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Interest income	1,790,495	3,845,069	2,034,243	4,355,917	1,789,485	3,842,874	2,033,156	4,353,674
Interest expense	909,529	1,966,813	1,177,999	2,514,108	907,664	1,962,459	1,175,337	2,509,050
Net interest income	**880,967**	**1,878,256**	**856,244**	**1,841,808**	**881,821**	**1,880,415**	**857,820**	**1,844,624**
Fee and commission income	175,951	304,910	121,137	268,970	166,264	281,642	113,493	239,067
Fee and commission expense	3,923	7,152	1,429	3,738	3,175	4,163	579	1,010
Net fee and commission income	**172,029**	**297,758**	**119,708**	**265,232**	**163,089**	**277,479**	**112,914**	**238,057**
Net interest, fee and commission income	**1,052,996**	**2,176,014**	**975,952**	**2,107,040**	**1,044,910**	**2,157,894**	**970,734**	**2,082,681**
Net trading income	5,904	12,490	1,190	20,360	6,002	11,866	3,069	6,201
Other operating income	20,652	62,288	2,326	22,146	20,484	61,554	268	20,088
Total operating income	**1,079,552**	**2,250,792**	**979,468**	**2,149,546**	**1,071,396**	**2,231,314**	**974,071**	**2,108,970**
Impairment charge/(reversal) for loans and other losses	49,252	382,446	69,847	441,985	49,252	382,446	69,847	441,985
Net operating income	**1,030,300**	**1,868,346**	**909,621**	**1,707,561**	**1,022,145**	**1,848,869**	**904,224**	**1,666,985**
Operating expense								
Personnel expenses	310,075	612,973	285,147	569,675	305,356	602,214	281,313	557,571
Other operating expenses	143,752	290,077	136,805	275,091	141,787	285,891	134,473	271,399
Depreciation & Amortization	27,223	56,792	27,095	55,727	25,826	53,965	25,714	52,934
Operating Profit	**549,251**	**908,504**	**460,574**	**807,067**	**549,174**	**906,798**	**462,725**	**785,081**
Non-operating income	191	531	135	270	191	531	135	270
Non-operating expense	-	-	685	685	-	-	685	685
Profit before income tax	**549,442**	**909,036**	**460,024**	**806,653**	**549,365**	**907,330**	**462,175**	**784,666**
Income tax expense	164,462	272,357	138,053	241,279	164,810	272,199	138,652	235,400
Current Tax	164,810	272,192	138,652	235,400	164,810	272,199	138,652	235,400
Deferred Tax	(347)	165	(600)	5,880	-	-	-	-
Profit for the period	**384,979**	**636,678**	**321,971**	**565,373**	**384,556**	**635,131**	**323,522**	**549,266**

Garima Bikas Bank Limited

Garima Bikas Bank Limited
Condensed Consolidated Statement of Comprehensive Income
For the Quarter Ended 30th Poush 2082 (14th January 2026)

Figures in '000'

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Profit for the year	**384,979**	**636,678**	**321,971**	**565,373**	**384,556**	**635,131**	**323,522**	**549,266**
Other comprehensive income, net of income tax	-	-	-	-	-	-	-	-
a Items that will not be reclassified to Profit or loss	-	-	-	-	-	-	-	-
• Gains/(losses) from Investments in equity instruments measured at fair value	44,481	(44,757)	(40,494)	9,388	44,481	(44,757)	(40,494)	9,388
• Gains/(losses) on revaluation	-	-	-	-	-	-	-	-
• Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-
• Income tax relating to above items	(13,344)	13,427	12,148	(2,816)	(13,344)	13,427	12,148	(2,816)
Net other comprehensive income that will not be reclassified to profit or loss	**31,137**	**(31,330)**	**(28,346)**	**6,571**	**31,137**	**(31,330)**	**(28,346)**	**6,571**
b Items that are or may be reclassified to profit or loss								
• Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-
• Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-
• Income tax relating to above items	-	-	-	-	-	-	-	-
• Reclassify to profit or loss	-	-	-	-	-	-	-	-
Net other comprehensive income that are or may be reclassified to profit or loss	-	-	-	-	-	-	-	-
c Share of other comprehensive income of associate accounted as per equity method	-	-	-	-	-	-	-	-

Other comprehensive income for the period, net of income tax	**31,137**	**(31,330)**	**(28,346)**	**6,571**	**31,137**	**(31,330)**	**(28,346)**	**6,571**
Total comprehensive income for the year	**416,116**	**605,348**	**293,626**	**571,945**	**415,692**	**603,801**	**295,177**	**555,838**
Total comprehensive income attributable to								
Equity holders of the Bank	415,909	604,593	294,383	564,084	415,692	603,801	295,177	555,838
Non-controlling interest	207	755	(757)	7,860	-	-	-	-
Total Comprehensive income for the period	**416,116**	**605,348**	**293,626**	**571,945**	**415,692**	**603,801**	**295,177**	**555,838**
Earnings per share		**21.15**		**19.91**		**21.10**		**19.34**
Basic earnings per share		**21.15**		**19.91**		**21.10**		**19.34**
Diluted earnings per share		**21.15**		**19.91**		**21.10**		**19.34**

Garima Bikas Bank Limited
Condensed Consolidated Statement of cash flows
As on Quarter Ended 30th Poush 2082 (14th January 2026)

Figures in'000'

Particulars	Group		Bank	
	Up to this quarter	Corresponding Previous Year Up to This Quarter	Up to this quarter	Corresponding Previous Year Up to This Quarter
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	3,647,018	8,568,249	3,644,824	8,563,503
Fees and other income received	305,441	573,759	282,173	516,914
Divided received	50,602	21,961	49,868	21,556
Receipts from other operating activities	-	-	-	-
Interest paid	(2,021,020)	(4,847,628)	(2,016,667)	(4,836,933)
Commission and fees paid	(7,152)	(11,000)	(4,163)	(5,480)
Cash payment to employees	(716,155)	(895,745)	(698,969)	(877,000)
Other expense paid	(195,381)	(198,416)	(197,168)	(168,963)
Operating cash flows before changes in operating assets and liabilities	**1,063,352**	**3,211,180**	**1,059,898**	**3,213,597**
(Increase)/Decrease in operating assets	**(4,516,094)**	**(5,451,839)**	**(4,531,348)**	**(5,453,512)**
Due from Nepal Rastra Bank	(1,491,964)	(28,920)	(1,491,964)	(28,920)
Placement with bank and financial institutions	-	-	-	-
Other trading assets	-	-	-	-
Loan and advances to bank and financial institutions	1,010,104	(241,081)	1,010,104	(241,081)
Loans and advances to customers	(3,999,214)	(5,359,486)	(3,999,214)	(5,359,486)
Other assets	(35,021)	177,647	(50,275)	175,975
Increase/(Decrease) in operating liabilities	**98,128**	**6,708,728**	**146,291**	**6,639,320**
Due to bank and financial institutions	(1,010,447)	782,696	(1,010,447)	782,696
Due to Nepal Rastra Bank	-	-	-	-
Deposit from customers	1,157,346	5,861,653	1,156,739	5,862,874
Borrowings	(27,764)	43,387	-	(6,250)
Other liabilities	(21,006)	20,992	-	-
Net cash flow from operating activities before tax paid	**(3,354,614)**	**4,468,068**	**(3,325,159)**	**4,399,405**
Income taxes paid	(309,536)	(267,788)	(308,959)	(261,830)
Net cash flow from operating activities	**(3,664,150)**	**4,200,280**	**(3,634,118)**	**4,137,575**

CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	-	(3,572,718)	-	(3,465,326)
Receipts from sale of investment securities	3,923,050	38,381	3,892,662	38,381
Purchase of property and equipment	(17,329)	(1,585,480)	(17,075)	(1,585,189)
Receipt from the sale of property and equipment	784	59,396	784	59,396
Purchase of intangible assets	-	(6,334)	-	(5,496)
Receipt from the sale of intangible assets	497	-	1,210	-
Purchase of investment properties	(25,398)	(461,244)	(25,398)	(461,244)
Receipt from the sale of investment properties	-	(1,280)	-	(1,280)
Interest received	-	-	-	-
Dividend received	-	-	-	-
Net cash used in investing activities	**3,881,603**	**(5,529,279)**	**3,852,182**	**(5,420,759)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipt from issue of debt securities	-	1,029	-	1,029
Repayment of debt securities	-	-	-	-
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	340,831	-	340,831	-
Dividends paid	(598,158)	(284,026)	(598,158)	(284,026)
Interest paid	-	-	-	-
Other receipt/payment	-	-	-	-
Net cash from financing activities	**(257,327)**	**(282,997)**	**(257,327)**	**(282,997)**
Net increase (decrease) in cash and cash equivalents	**(39,875)**	**(1,611,996)**	**(39,263)**	**(1,566,181)**
Opening Cash and cash equivalents	3,166,029	4,716,277	3,165,470	4,714,599
De- recognition of Cash and cash equivalent of Subsidiary				
Effect of exchange rate fluctuations on cash and cash equivalents held	23,392	61,748	22,768	17,052
Cash and cash equivalents at the end of the period	**3,149,546**	**3,166,029**	**3,148,975**	**3,165,470**

A. Condensed Consolidated Statement of Changes in Equity (Group)

As on Quarter Ended 30th Poush 2082 (14th January 2026)

Figures in '000'

Particulars	Share Capital	Share premium	General reserve	Exchange equalization reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserves	Non-Controlling Interest	Total
Adjustment/Restatement	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**	**1,645**	**-**	**1,643**
Balance at Shrawan 1, 2081	**5,680,517**	**-**	**1,308,494**	**1,763**	**564,110**	**84,748**	**-**	**264,268**	**345,076**	**91,917**	**8,340,893**
Profit for the Period	-	-	-	-	-	-	-	1,266,601	-	18,024	1,284,625
Other comprehensive income, net of tax	-	-	-	-	-	68,470	-	-	(28,751)	3,559	43,278
Total Comprehensive income	**-**	**-**	**-**	**-**	**-**	**68,470**	**-**	**1,266,601**	**(28,751)**	**21,583**	**1,327,903**
Transfer to reserve during the year	**-**	**-**	**249,507**	**161**	**223,909**	**-**	**-**	**(640,243)**	**166,667**	**-**	**-**
Transfer from reserve during the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,140)**	**11,140**	**-**	**-**
Transactions with Owners, directly recognized in Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Contributions from and distributions to owners											
Share issued	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders											-
Bonus shares issued	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(284,026)	-	-	(284,026)
Other	-	-	-	-	-	-	-	159	-	-	159
Total contributions by and distributions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(283,867)**	**-**	**-**	**(283,867)**
Balance at Ashad end 2082	**5,680,517**	**-**	**1,558,001**	**1,924**	**788,019**	**153,218**	**-**	**595,617**	**495,777**	**113,499**	**9,386,573**

Adjustment/Restatement	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**
Balance at Shrawan 1, 2082	**5,680,517**	**-**	**1,558,001**	**1,924**	**788,019**	**153,218**	**-**	**595,617**	**495,777**	**113,499**	**9,386,573**
Profit for the Period	-	-	-	-	-	-	-	635,923	-	755	636,678
Other comprehensive income	-	-	-	-	-	(31,330)	-	-	-	-	(31,330)
Total Comprehensive income	**-**	**-**	**-**	**-**	**-**	**(31,330)**	**-**	**635,923**	**-**	**755**	**605,348**
Transfer to reserve during the year	**-**	**-**	**127,105**	**2,725**	**109,077**	**-**	**-**	**(322,241)**	**83,333**	**-**	**-**
Transfer from reserve during the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,607)**	**5,607**	**-**	**-**
Transactions with Owners, directly recognized in Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Contributions from and distributions to owners											-
Share issued	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders											-
Bonus shares issued	340,831	-	-	-	-	-	-	(340,831)	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(257,327)	-	-	(257,327)
Other	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions	**340,831**	**-**	**-**	**-**	**-**	**-**	**-**	**(598,158)**	**-**	**-**	**(257,327)**
Balance at Poush End 2082	**6,021,348**	**-**	**1,685,106**	**4,649**	**897,096**	**121,889**	**-**	**305,534**	**584,717**	**114,255**	**9,734,594**

गरिमा विकास बैंक लिमिटेड
Garima Bikas Bank Limited

B. Condensed Consolidated Statement of Changes in Equity (Bank)
As on Quarter Ended 30th Poush 2082 (14th January 2026)

Figures in '000'

Particulars	Share Capital	Share premium	General reserve	Exchange equalization reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserves	Non-Controlling Interest	Total
Adjustment/Restatement	-	-	-	-	-	-	-	-	**1,645**		**1,645**
Balance at Shrawan 1, 2081	**5,680,517**	-	**1,307,995**	**1,763**	**564,110**	**78,724**	-	**286,403**	**338,552**		**8,258,064**
Profit for the Period	-	-	-	-	-	-	-	1,247,692	-		1,247,692
Other comprehensive income, net of tax	-	-	-	-	-	68,470	-	-	(28,751)		39,719
Total Comprehensive income	-	-	-	-	-	**68,470**	-	**1,247,692**	**(28,751)**	-	**1,287,411**
Transfer to reserve during the year	-	-	**249,507**	**161**	**223,909**	-	-	**(640,243)**	**166,667**		-
Transfer from reserve during the year	-	-	-	-	-	-	-	**(10,771)**	**10,771**		-
Transactions with Owners, directly recognized in Equity	-	-	-	-	-	-	-	-	-		-
Contributions from and distributions to owners											
Share issued	-	-	-	-	-	-	-	-	-		-
Share based payments	-	-	-	-	-	-	-	-	-		-
Dividends to equity holders											-
Bonus shares issued	-	-	-	-	-	-	-	-	-		-
Cash dividend paid	-	-	-	-	-	-	-	(284,026)	-		(284,026)
Other	-	-	-	-	-	-	-	159	-		159
Total contributions by and distributions	-	-	-	-	-	-	-	**(283,867)**	-	-	**(283,867)**
Balance at Ashad end 2082	**5,680,517**	-	**1,557,502**	**1,924**	**788,019**	**147,194**	-	**599,214**	**488,884**	-	**9,263,254**
Adjustment/Restatement	-	-	-	-	-	-	-	-	-		-

Balance at Shrawan 1, 2082	**5,680,517**	**-**	**1,557,502**	**1,924**	**788,019**	**147,194**	**-**	**599,214**	**488,884**	**-**	**9,263,254**
Profit for the Period	-	-	-	-	-	-	-	635,131	-		635,131
Other comprehensive income	-	-	-	-	-	(31,330)	-	-	-		(31,330)
Total Comprehensive income	**-**	**-**	**-**	**-**	**-**	**(31,330)**	**-**	**635,131**	**-**	**-**	**603,801**
Transfer to reserve during the year	**-**	**-**	**127,026**	**2,725**	**109,077**	**-**	**-**	**(322,162)**	**83,333**		**-**
Transfer from reserve during the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,599)**	**5,599**		**-**
Transactions with Owners, directly recognized in Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**
Contributions from and distributions to owners											-
Share issued	-	-	-	-	-	-	-	-	-		-
Share based payments	-	-	-	-	-	-	-	-	-		-
Dividends to equity holders											-
Bonus shares issued	340,831	-	-	-	-	-	-	(340,831)	-		-
Cash dividend paid	-	-	-	-	-	-	-	(257,327)	-		(257,327)
Other	-	-	-	-	-	-	-	-	-		-
Total contributions by and distributions	340,831	-	-	-	-	-	-	(598,158)	-	-	(257,327)
Balance at Poush End 2082	**6,021,348**	**-**	**1,684,528**	**4,649**	**897,096**	**115,864**	**-**	**308,425**	**577,817**	**-**	**9,609,727**

Statement of Distributable Profit Loss
For the Quarter Ended 30th Poush 2082 (14th January 2026)
(As per NRB Regulation)

Figures in '000'

Particulars	Current Year	Previous Year
	Up to This Quarter YTD	Corresponding Quarter YTD
Net profit or (loss) as per statement of profit or loss	**635,131**	**549,266**
1.1 Profit required to be appropriated to:	**-**	**-**
a. General reserve	(127,026)	(109,853)
b. Foreign exchange fluctuation fund	(2,725)	-
c. Capital redemption reserve	(83,333)	(83,333)
d. Corporate social responsibility fund	(6,351)	(5,493)
e. Employees' training fund	(10,960)	(10,960)
f. Other	11,713	9,595
Profit or (loss) before regulatory adjustment	**416,447**	**349,222**
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(98,570)	(176,889)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non-Banking Assets (-)/reversal (+)	(12,641)	(28,420)
e. Deferred tax assets recognized (-)/ reversal (+)	-	-
f. Goodwill recognized (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognized (-)/reversal (+)	-	-
h. Actuarial loss recognized (-)/reversal (+)	-	-
i. Other (+/-)	2,134	1,339
Net Profit for the Qtr end available for distribution	**307,370**	**145,251**
Opening Retained Earning as on Shrawan 1, 2082	599,214	286,403
Adjustment (+/-)		
Distribution:		
Bonus shares issued	(340,831)	-
Cash Dividend Paid	(257,327)	(284,026)
Total Distributable profit or (loss) as on Qtr end date	**308,425**	**147,628**
Annualized Distributable Profit/Loss per share	**10.24**	**5.20**

Ratios as per NRB Directive:

Particulars	Group				Bank			
	Current Year		Previous year corresponding		Current Year		Previous year corresponding	
	This Quarter Ending	Up to this quarter (YTD)	This Quarter Ending	Up to this quarter (YTD)	This Quarter Ending	Up to this quarter (YTD)	This Quarter Ending	Up to this quarter (YTD)
Capital Fund to RWA		13.30%		12.92%		13.30%		12.92%
Tier I Capital to RWA		10.91%		10.74%		10.91%		10.74%
CET I Capital to RWA		10.91%		10.74%		10.91%		10.74%
Non-Performing Loan (NPL) to total Loan		4.78%		4.72%		4.78%		4.72%
Total Loan Loss Provision to Total NPL		114.97%		107.92%		114.97%		107.92%
Cost of Fund		3.76%		5.42%		3.76%		5.42%
Return on Equity		13.48%		13.48%		13.46%		13.09%
Return on Assets		1.21%		1.15%		1.21%		1.12%
Credit to Deposit Ratio		85.16%		83.90%		85.16%		83.90%
Base Rate		5.81%		7.52%		5.81%		7.52%
Interest rate Spread		4.59%		4.59%		4.59%		4.59%

Notes

- The above financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) in line with NRB Directives. In compliance with NRB's ECL Guidelines, Bank has de-recognized interest income on loans and advances classified as Lifetime ECL under Stage-3. Bank has considered the impairment on credit exposures as the higher of total ECL provision as per NFRS 9 and existing regulatory provision in Unified Directives. Separate reporting of ECL shall be done to NRB by the Bank.
- The unaudited financial figures are subject to change if instructed by external auditors and regulatory authorities.
- Loans and advances include staff loans and accrued interest receivables on loans and are presented net off loan impairments.
- Personnel expenses includes employee bonus calculated as per bonus act.
- Previous year's corresponding quarter ending figures have been regrouped, rearranged and restated wherever necessary.
- The detailed interim report has been published in website of the bank.
- The group financial statement includes the Garima Capital Ltd. (formerly known as KCL Astute Capital Ltd) which is the subsidiary of the bank.

गरिमा विकास बैंक लिमिटेड
Garima Bikas Bank Limited

Garima Bikas Bank Limited

Notes to Interim Financial Statement for Q2 of FY 2082/83

1. Reporting Entity

1.1 General

Garima Bikas Bank Limited (hereinafter referred to as "the Bank") is National Level Development Bank domiciled in Nepal, registered as a Public Limited Company under Companies Act 2063 and Banking and Financial Institution Act, 2073.The Bank has been formed after the successful merger of erstwhile Garima Bikas Bank Limited, Nilgiri Bikas Bank limited, Subhechha Bikas Bank limited and acquisition of Sahara Bikas Bank Limited after the approval from Nepal Rastra Bank. The registered office of the bank is situated at Kathmandu-02, Das Tower, Lazimpat.

Subsidiary

Garima Capital Limited is subsidiary company of the bank and the bank holds 51.20% (i.e. NPR. 123,900,000/- only) paid up capital. Garima Capital Limited is engaged in Merchant Banking business and provides the service of Depository Participants and Portfolio Management Service.

2. Basis of Preparation

The interim financial statements of the bank have been prepared in accordance with Nepal Financial Reporting Standards (NFRS), specifically NAS 34 Interim Financial Reporting, along with relevant carve-outs issued by the Institute of Chartered Accountants of Nepal (ICAN).
The condensed consolidated financial statements have been prepared using the accrual basis of accounting and under the assumption of a going concern. The accounting policies applied are consistent across all periods presented in the consolidated financial statements.

The Condensed Consolidated Interim Financial Statements comprise of:

- ✓ Condensed Consolidated Statement of Financial Position
- ✓ Condensed Consolidated Statement of Profit or Loss,
- ✓ Condensed Consolidated Statement of Other Comprehensive Income,
- ✓ Condensed Consolidated Statement of Changes in Equity,
- ✓ Condensed Consolidated Statement of Cash Flows
- ✓ Notes to Interim Financial Statements and
- ✓ Ratios as per NRB Directive

2.1 Functional and Presentation Currency

The financial statements are presented in Nepalese Rupees (NPR) which is the functional and presentation currency of the Bank. The financial information presented has been rounded off to nearest rupee except where otherwise stated.

3. Statement of Compliance with NFRS

The interim financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS): NAS 34 Interim Financial Reporting, as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in compliance with BAFIA 2073, Unified Directives 2081 issued by Nepal Rastra Bank and all other applicable laws and regulations. The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements.

4. Use of Estimates, Assumptions and Judgments

The management of the Bank, makes accounting judgments, estimates and assumptions which have an impact on the reported amounts of assets, liabilities, income and expenses on the financial statements. NFRS requires the Bank to exercise judgment in making accounting estimates. The management believes that these estimates and assumptions are reasonable and prudent. These estimates and assumptions are reviewed on an ongoing basis. The significant accounting policies that relate to the financial statements along with the judgments made are described herein. Revisions to accounting estimates are recognized prospectively.

5. Change in Accounting Policies

The Bank is required to adopt and apply the accounting policies in conformity with NFRS, the accounting policies are applied consistently; changes, if any, are disclosed with the financial impact to the extent possible.

6. Significant Accounting Policies.

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, unless otherwise indicated.

6.1 Basis of Measurement

The Financial Statements of the Bank have been prepared under historical cost convention modified to include the fair valuation to the extent required or permitted under NFRS as set out in the relevant accounting policies, financial information recorded and reported to comply with the Directive of Nepal Rastra Bank and relevant business practices followed by the Bank are disclosed separately, where there have been deviations with recognition and presentation criteria of NFRS.

Basis of Consolidation

The group consists of two Companies Namely, Garima Bikas Bank Limited being its parent company and Garima Capital Limited as its subsidiary.

a. Business Combination

Business combinations are accounted for using the acquisition method in line with the NFRS 03 "Business Combination". The consideration transferred in the acquisition and identifiable net assets acquired are measured at fair value. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amount related to the settlement of pre-existing relationships. Such amount is generally recognized in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

b. Non-Controlling Interest

Changes in the Bank's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss.

c. Loss of Control

Upon the loss of control, the Bank derecognizes the assets and liabilities of the subsidiary, carrying amount of non-controlling interests and the cumulative translation differences recorded in equity related to the subsidiary. Further parent's share of components previously recognized in Other Comprehensive income (OCI) is reclassified to profit or loss or retained earnings as appropriate. Any surplus or deficit arising on the loss of control is recognized in the profit or loss. If the bank retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Bank's accounting policy for financial instruments depending on the level of influence retained.

d. Transaction elimination on consolidation

Intra-group balances, transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements as per the provision of NFRS 10- Consolidated Financial Statement. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

6.2 Cash & Cash Equivalent

Cash and cash equivalent comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value and carried at amortized cost. The cash and cash equivalents for the purpose of cash flow statement include cash in hand, balances with banks, money at call and money market funds and financial assets with original maturity less than 3 months from the date of acquisition.

6.3 Financial Assets and Financial Liabilities

a. Recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date i.e. the date that the Bank becomes a party to the contractual provisions of the instrument. Investments in equity instruments, bonds, debenture, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on trade date at which the Bank commits to purchase/ acquire the financial assets. Regular way purchase and sale of financial assets are recognized on trade date at which the Bank commits to purchase or sell the asset.

b. Classification

The financial assets and liabilities are subsequently measured at amortized cost or fair value based on business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

I. Financial Assets

The Bank classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.
Financial assets are classified under three categories as required by NFRS 9, namely:

➢ **Financial Assets measured at amortized cost:**

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest, are subsequently measured at amortized cost using the effective interest rate ('EIR') method less impairment, if any. The amortization of EIR and loss arising from impairment, if any is recognized in the Statement of Profit and Loss.

The Bank classifies a financial asset measured at amortized cost if both of the following conditions are met:

- ✓ The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- ✓ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

➢ **Financial Assets measured at fair value through other comprehensive income:**

Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognized in the other comprehensive income (OCI).

➢ **Financial Assets measured at fair value through profit or loss:**

The Group classifies the financials assets as fair value through profit or loss if they are held for trading or designated at fair value through profit or loss. Any other financial asset not classified as either amortized cost or FVTOCI, is classified as FVTPL.

II. Financial Liabilities:

Financial liabilities are classified under two categories as required by NFRS 9, namely:

- **Financial liabilities measured at amortized cost:**

  All financial liabilities other than measured at fair value though profit or loss are classified as subsequently measured at amortized cost using effective interest method.

- **Financial liabilities at fair value through profit or loss:**

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Upon initial recognition, transaction cost directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at profit or loss.

c. De-recognition

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Bank has retained control, the assets continue to be recognized to the extent of the Bank's continuing involvement.

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

d. Determination of Fair Value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of liability reflects its non-performance risk.

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Bank recognizes transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

Level 1: fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable

Level 3: portfolios are those where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

e. Impairment of Loans & Advances

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Statement of Profit or Loss. The Management's judgment is extensively used in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the provisions made.

➢ **Individual Impairment**

The individual impairment provision applies to financial assets evaluated individually for impairment and is based on Management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, Management makes judgments about the number of factors including a borrower's financial situation and the net realizable value of any underlying collateral.

The Bank considers the following factors in assessing objective evidence of impairment:

- ✓ Whether the counterparty is in default of principal or interest payments.
- ✓ When a counterparty files for bankruptcy and this would avoid or delay discharge of its obligation.
- ✓ Where the Bank initiates legal recourse of recovery in respect of a credit obligation of the counterpart.
- ✓ Where the Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments.
- ✓ Where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

➢ **Collective Impairment**

A collective impairment provision is established for:

- ✓ Groups of homogeneous loans and advances and investment securities which are held-to-maturity, that are not considered individually significant; and
- ✓ Groups of assets that are individually significant but that were not found to be individually impaired.

The collective impairment is carried using the statistical modelling such as historical trends of probability of defaults, timings of recoveries, and current economic and market conditions which may warrant for the loss being greater than the suggested by the historical trends. For the purpose of collective assessment of impairment bank has categorized assets into following broad products as follows:

- ✓ Agriculture Loan
- ✓ Foreign Employment Loan
- ✓ Deprived Sector loan
- ✓ Business Loans
- ✓ Education loan
- ✓ Gold Silver Loan
- ✓ Hire Purchase Loan
- ✓ Housing Loan
- ✓ Loan Against FDR
- ✓ Personal Loan
- ✓ Real Estate Loan
- ✓ Service Loan
- ✓ Working Capital Loan
- ✓ Margin Lending

Policy Adopted

The bank has considered the impairment on loans and advances as the higher of total impairment charge calculated under ECL provision as per NFRS 9 and as per existing regulatory provisions as per NRB directive, in accordance to ECL guidelines 2024 issued by NRB.

6.4 Trading Assets

Financial assets are classified as trading assets (held for trading) if they have been acquired principally for the purpose of selling in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short- term profit taking. They are recognized on trade date, when the bank enters into contractual arrangements with counterparties, and are normally derecognized when sold. They are initially measured at fair value, with transaction costs taken to profit or loss. Subsequent changes in their fair values are recognized in profit or loss.

6.5 Derivative Assets and Derivative Liabilities

A derivative is a financial instrument whose value changes in response to the change in an underlying variable such as an interest rate, commodities, bond, stocks, Currencies, and index; that requires no initial investment, or one that is smaller than would be required for a contract with similar response to changes in market factors; and that is settled at a future date.

Derivative instruments include transactions like interest rate swap, currency swap, forward foreign exchange contract etc. held for trading as well as risk management purposes. Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. The Group does not have any derivative instrument during the reporting period.

6.6 Property and Equipment

The cost of an item of property and equipment shall be recognized as an asset, initially recognized at cost, if, and only if:

- ✓ It is probable that future economic benefits associated with the item will flow to the entity; and
- ✓ The cost of the item can be measured reliably.

Cost includes purchase price including any non-refundable taxes after deducting volume rebates and trade discounts and such other costs that are incurred to bring asset to location and condition to be operating in a manner intended by management.

Depreciation

The Bank depreciates Property and equipment over the estimated useful life on a straight-line basis from the date the assets are ready for intended use. Assets acquired under finance lease and leasehold improvements are amortized over the lower of estimated useful life and lease term. The estimated useful lives of assets for the current and comparative period of significant items of Property and equipment are as follows:

Asset Group	Useful Life
Computer & Accessories	4 Years
Furniture & Fixtures	7 Years
Furniture (Metal)	10 Years
Machineries	9 Years
Office Equipment	5 Years
Other Assets	5 Years
Vehicles	5 Years
Leasehold Properties	Lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The value of the assets fully depreciated but continued to be in use is considered not material. Assets having acquisition cost less than 5,000 have been written off as an expense in the Statement of Profit or Loss.

6.7 Goodwill/Intangible Assets

a. Acquired Intangible Assets

Intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the Bank and are amortized on the basis of their expected useful lives.

b. Goodwill

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired in Business Combination is recognized as goodwill. Goodwill is measured at cost less any accumulated impairment losses. The Group follows the partial goodwill method for the computation of goodwill in business combinations. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

c. Intangible Assets:

Intangible assets are recognized when the cost of the asset can be measured reliably, there is control over the asset as a result of past events, future economic are expected from the asset. These intangible assets are recognized at historical cost less impairment less amortization over their estimated useful life. Amortization of the intangible assets is calculated using the straight-line method over the useful life of 5 years.

6.8 Investment Property

As per the provisions of NAS-40, Investment properties are land or building or both other than those classified as property and equipment under NAS 16 – "Property, Plant and Equipment"; and assets classified as non-current assets held for sale under NFRS 5 – "Non-Current Assets Held for Sale and Discontinued Operations". Land and Building acquired by the Bank as non-banking assets but not sold as on the reporting date

The Bank holds investment property that has been acquired though enforcement of security over the loans and advances. Accordingly, Investment properties include the assets obtained as security for loans & advances and subsequently taken over by the Bank in the course of loan recovery.

6.9 Income Tax

The accounting for taxes on income is as per NAS 12, Provision for current income tax is made in accordance with the provisions of the prevailing Income Tax Act, 2058 and Rules including amendments thereon. Tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income Tax expense is recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income. The Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Tax expenses comprise of current tax and deferred tax.

a. **Current Tax**

Current tax is the income tax expense is recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income. Current tax is the amounts expected or paid to Inland Revenue Department in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years.

b. **Deferred Tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the group has a legal right to offset.

6.10 Deposit, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Bank's sources of funding.

a. Deposit

Deposits include non-interest-bearing deposits, saving deposits, term deposits, call deposits and margin deposits. Deposits by banks & customers are financial liabilities of the bank as there is an obligation to deliver cash or financial assets back to the depositing bank or customer and are initially recognized at fair value, plus for those financial liabilities not at fair value through profit and loss. The transaction price is considered as the fair value for measuring the deposits.

b. Debt Securities Issued

Debt Securities are initially measured at the fair value less incremental direct cost and subsequently at their amortized cost using effective interest method except where the bank designates liabilities at fair value through profit t or loss.

c. Subordinated Liabilities

Sub-ordinated liabilities are liabilities subordinated, at the event of winding up, to the claims of depositors, debt securities issued and other creditors.

6.11 Provisions

As per the provisions of NAS 37, "Provisions, Contingent Liabilities and Contingent Assets" A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date.

6.12 Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising from the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable. The Bank's revenue comprises of -

- ✓ Interest Income
- ✓ Fees and Commission
- ✓ Dividend Income
- ✓ Net Trading Income
- ✓ Net income from other financial instrument at fair value through Profit or Loss

a. Interest Income

Interest income includes interest income on the basis of accrual basis from loan and advance to borrowers, loans, and investment in government securities, investment in NRB bond, corporate bonds, and interest on investment securities measured at fair value.

b. Fees and Commission

Fees earned for the provision of services over a period of time are accrued over that period. These fees include Service fees, Loan administrative fees and Commission income. Fees and Commission Income being the transaction costs integral to the effective interest rate on financial asset. However, as per the Carve out issued by ICAN regarding the treatment of fee and commission in EIR rate, fees to be considered for EIR computation unless it is impracticable to determine reliably. Since, such transaction costs are not identifiable for separate customer and therefore being impracticable, they have not been considered when computing EIR. They have been booked on accrual basis except commission on guarantees issued by the bank which is recognized as income over the period of the guarantee. Other fee and commission income are recognized on accrual basis.

c. Dividend Income

Dividend income is recognized when the Bank’s right to receive the payment is established, which is generally when the shareholders approve the dividend.

d. Net Trading Income

Net trading income comprises gains less losses relating to trading assets and liabilities, and includes all realized interest, dividend and foreign exchange differences as well as unrealized changes in fair value of trading assets and liabilities.

6.13 Interest Expenses:

For financial liabilities measured at amortized cost using the rate that closely approximates effective interest rate, interest expense is recorded using such rate. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

6.14 Employee Benefit:

Employee benefits include:

a. Short Term Employee Benefits:

These are employee benefits which fall due wholly within twelve months in which the employees render the related service. Such as the following:

i. Wages, salaries and social security contributions,
ii. Festival Allowances, rewards and other incentives,
iii. Paid annual leave and paid sick leave
iv. Profit-sharing and bonuses and
v. Non-monetary benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Bank has present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

b. Long Term Employee Benefits:

- **Defined Contribution Plans**

A defined contribution plan is a post-employment benefit plan under which a Bank pays fixed contribution into a separate Bank (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods, as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

The contribution payable by the employer to a defined contribution plan in proportion to the services rendered to Bank by the employees and is recorded as an expense under 'Personnel expense' as and when they become due. Unpaid contribution is recorded as a liability under 'Other Liabilities'.

Bank contributed 10% on the salary of each employee to the Employees' Provident Fund. The above expenses are identified as contributions to 'Defined Contribution Plans' as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

- **Defined Benefit Plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, leave encashment and gratuity has been considered as defined benefit plans as per NAS 19 Employee Benefits. Net Obligation in DBP is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value and then deducting the fair value of any plan assets. Bank recognizes all actuarial gains and losses arising from DBP in the Other Comprehensive Income and expenses related to DBP under personnel expense in the Statement of Profit or Loss.

Under NFRS, the actuarial gains and losses form part of re measurement of the net defined benefit liability / asset which is recognized in Other Comprehensive income (OCI). Also, the tax effect of the same has also been recognized in Other Comprehensive Income (OCI) under NFRS. Some assumptions used by actuarial valuator for valuation are as under:

- ✓ **Discount Rate:** Management estimation of 10% has been considered as discounting rate for defined benefit calculation.
- ✓ **Expected Return on Plan Asset:** Average long term rate of return expected on investments of Trust Fund.
- ✓ **Salary Escalation Rate:** Management estimation of 4% after considering the expected earnings inflation as well as performance and seniority related increase.
- ✓ **Withdrawal rate:** Management estimation on the basis of 5% on the basis of expected long term future employee turnover within the organization.
- ✓ **Expected average remaining working lives of the employees:** 13.40 Years

6.15 Leases:

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. NFRS 16 'Leases' is effective for annual periods beginning on or after 1 Shrawan 2078. A lessee is required to recognize a right-of-use asset (ROU) representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The main reason for this change is that this approach will result in a more comparable representation of a lessee's assets and liabilities in relation to other companies and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. The standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach. The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Average base rate of commercial banks published by Nepal Rastra Bank for the relevant financial year has been considered as its incremental borrowing rate i.e. 10%.

Lease payments included in the measurement of the lease liability comprise the following:

- ✓ Fixed payments, including in-substance fixed payments, less any lease incentives receivable
- ✓ Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- ✓ Amounts expected to be payable under a residual value guarantee and
- ✓ The exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

Simplified approach permitted by Standard for Low-Value Leases:

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognizes the lease payments associated with these leases contacts as an expense on a straight-line basis over the lease term.

6.16 Foreign Currency Translation

All foreign currency transactions are translated into the functional currency, which is Nepalese Rupees, using the exchange rates prevailing at the dates when the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Nepalese Rupees using the spot foreign exchange rate ruling at that date and all differences arising on non-trading activities are taken to 'Other Operating Income' in the Statement of Profit or Loss. The foreign currency gains or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the rates of exchange prevailing at the end of the reporting period.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss. However, foreign currency differences arising on available-for sale equity instruments are recognized in other comprehensive income. Forward exchange contracts are valued at the forward market rates ruling on the reporting date.

6.17 Share Capital & Reserves

Financial instruments issues are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction net of taxes from the proceeds.

Dividends on ordinary shares classified as equity are recognized in equity in the period in which they are declared.
The share issue expenses which can be avoided for the issue was charged in the year of issue directly through equity and disclosed in statement of changes in equity. Tax impact is also disclosed.
Reserves include regulatory and free reserves. Reserves are allocations made from profit or retained earnings. They are established to meet statutory requirements, comply with accounting standards, and fulfill the internal needs of the bank. The Bank has maintained various statutory reserves and free reserves, which are reflected in the statement of changes in equity.

6.18 Earnings per Share

Bank presents basic and diluted Earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary equity holders of Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit and loss attributable to the ordinary equity holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

Earnings per share is calculated and presented in consolidated statement of profit or loss

7. Segment Reporting

The Bank's segmental reporting is in accordance with NFRS 8 Operating Segments. Operating segments are reported in a manner consistent with the internal reporting provided to the bank's management, which is responsible for allocating resources and assessing performance of the operating segments. Income and expenses directly associated with each segment are included in determining business segment performance. The bank has identified geographical segments as well on the basis of branches and clusters located all over the country. Segment report include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

8. Additional Disclosures – Concentration of Borrowings and Deposits

A. Concentration of Borrowers

Particulars	**Current Year**	**Previous Year**
Borrowings from 10 largest lender	702,448,000	699,391,000
Total Deposit	**92,827,908,609**	**91,981,617,488**
Percentage of borrowings from the ten largest lenders relative to total deposits	**0.76%**	**0.76%**

B. Concentration of Credit exposures

Particulars	**Current Year**	**Previous Year**
Total exposures to twenty largest borrowers		
a. As per group (Related party)	5,275,755,399	5,584,915,330
b. As per individual customer	3,506,264,752	3,759,777,060
Total Loans & Advances	**79,772,573,218**	**76,711,163,372**
Percentage of exposures to twenty largest borrowers to total loans and advances		
a. As per group (related party)	**6.61%**	**7.28%**
b. As per individual customer	**4.40%**	**4.90%**

C. Concentration of Deposits

Particulars	**Current Year**	**Previous Year**
Total Deposits from twenty largest depositors		
a. Group Wise	7,419,039,570	7,925,763,224
b. As per individual customer	3,743,009,916	3,216,158,364
Total Deposits	**92,827,908,609**	**91,981,617,488**
Percentage of deposits from twenty largest depositors to Total Deposits		
a. Group Wise	**7.99%**	**8.62%**
b. As per individual customer	**4.03%**	**3.50%**

9. **Related Party Disclosures**

The key management personnel of the bank including member of the Board of Directors, Chief Executive Officer and other executive level staff of the Bank along our subsidiary company are as follows:

Name of the Related Party		**Relationship**
Mr. Dilip Pratap Khand	-	Chairman
Mr. Shyam Prasad Basyal	-	Director
Mr. Deependra Shrestha	-	Director
Mr. Bimal Pandey	-	Director (Public)
Mr. Shovakanta Dhakal	-	Director (Public)
Mrs. Iushma Koirala	-	Director (Public)
Mr. Mukunda Raj Acharya	-	Independent Director
Mr. Madhav Prasad Upadhaya (Chief Executive Officer)	-	Key Managerial Personnel
Mr. Anil Regmi (Deputy Chief Executive Officer)	-	Key Managerial Personnel
Garima Capital Limited	-	Subsidiary Company

10. **Dividends paid (aggregate or per share) separately for ordinary shares and other shares.**

The bank has paid cash dividend Rs. 25,73,27,434.94 @ 4.53% & Bonus Share Rs.34,08,31,039.65 @ 6% of total paid up capital of the bank Rs. 5,68,05,17,327.57 as approved by AGM held on 2082.07.27 to the ordinary shareholders of the bank.

11. **Issues, repurchases and repayments of debt and equity securities**

No issues, repurchases and repayments of debt and equity securities have taken place during the period.

12. **Events after interim period**

There have been no material events occurring after the date of the condensed statement of financial position that necessitate disclosure or adjustments to the unaudited interim financial statements.

13. **Effect of changes in the composition of the entity during the interim period merger including and acquisition**

There were no alterations to the composition of the Bank for the reporting period ending Poush 2082.

Date: **29.01.2026**